

JACKSON HOUSING COMMISSION
JACKSON, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Jackson Housing Commission	County Jackson
Audit Date 3/31/05	Opinion Date 8/31/05	Date Accountant Report Submitted to State: 9/27/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			
Street Address 1107 E. Eighth Street	City Traverse City	State MI	ZIP 49686
Accountant Signature <i>Barry E. Gaudette, CPA</i>		Date 9/27/05	

JACKSON HOUSING COMMISSION
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INTRODUCTION

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Board of Commissioners
Jackson Housing Commission
Jackson, Michigan

I have audited the accompanying financial statements of the business-type activities of the Jackson Housing Commission, Michigan, a component unit of the City of Jackson, as of and for the year ended March 31, 2005, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Jackson Housing Commission, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7(d), the Housing Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted as of March 31, 2005.

Jackson Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated August 31, 2005, on my consideration of Jackson Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 7, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Jackson Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Jackson Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Barry E. Edwards, CPA, PC

August 31, 2005

JACKSON HOUSING COMMISSION
JACKSON, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
March 31, 2005
=====

The Jackson Housing Commission, created in 1946, by the City of Jackson provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, I offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended March 31, 2005. I encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Jackson Housing Commission consists of four programs. The first is owned housing, consisting of 553 units of public housing, the second is the capital funding program, the third is the housing choice voucher program consisting of 475 qualifying low-income residents for rental housing, and the Housing Commission also has a Homeownership Program.

Jackson Housing Commission had total revenues of \$5,458,897 that includes \$1,216,260 in rental payments and \$4,173,425 in federal assistance. Total revenues increased by \$605,831 from the prior year, in part, because of the federal assistance increasing by \$570,184 from the prior year. Total operating expenses were \$5,245,522, that includes \$790,360 in administrative expenses, \$407,210 in utilities, \$858,014 in ordinary maintenance and operation, \$250,926 in general expenses and \$2,120,929 in housing assistance payments, and \$613,382 in depreciation expense. The operating expenses increased by \$119,207, in part, because of increased administrative expenses in the Homeownership Program and Housing Assistance Payments to landlords over the prior year.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$10,431,204. The Housing Commission's total net assets increased by \$213,375 from the prior year. The increase can be attributed, in part, to a reduction in administrative and maintenance expenditures.

Total assets of the Housing Commission were \$11,286,998, of which \$1,064,154 consisted of current assets and \$337,029 of current liabilities. There was a net decrease in total assets of \$11,679 from the prior year. The decrease is due, in part, because of restricted cash decreasing by \$20,176.

Financial Highlights (continued)

Statement of Management Operations

The Jackson Housing Commission presents this fiscal year that ended March 31, 2005, Statement of Management Operations. In general, the Commission believes it has completed its fiscal year with the financial resources necessary to successfully complete its ongoing mission of providing housing, and housing opportunities, to low and moderate income families in the City and County of Jackson, Michigan.

1. Analysis of Overall Financial Position and Results of Operations.

a. **Public Housing.** The Commission's public housing program increased overall income by \$80,000 (a robust 2.6% above budget in dwelling rental income) compared to the previous year. Interest income was almost negligible in that capital reserves are insufficient, and interest rates somewhat low, in order to realize any real income from investments. Overall expenses were some \$139,000 greater than last year. The principle cause for higher expenditures, and the differential over income this year, was due to some unanticipated contractual costs and increased utility rates (though the latter was mitigated by the Commission's Energy Performance Contract). Tenant Services expenses increased over the prior year principally due to the expiration of HUD Resident Opportunity-Self Sufficiency Grants. The Commission has applied for renewal of one of the grants and expects to be funded in October, 2005.

b. **Section 8 Program.** The Commission greatly reduced Housing Assistance Payments over the previous year by reducing the Housing Assistance Payment Standards back to 100% of Fair Market rents from the HUD permitted 110%. Section 8 Administrative Staff maintained a voucher "lease up rate" at a monthly average 96.4%. Administrative program expenses were higher than budgeted (as anticipated because of reduced administrative fees), however, there are adequate administrative reserves to meet shortages for at least the next three years.

2. Analysis of Balances and Transactions of Individual Funds.

There were no significant changes in fund balances or fund net assets that would significantly affect fund balances for future use.

3. Variations Between Original and Final Budget Amounts.

See response to 1, above.

4. Capital Asset and Long Term Debt Activity

The Commission's Energy Performance Contract with Water and Energy Savings Corporation of St. Pete, Florida, requires repayment of principal and interest on an Energy Performance Loan taken out by the City of Jackson on the Commission's behalf, and payment of 15% of the utility cost savings to WESCO for contract administration for twelve years from the loan's inception. Savings realized from the project is designed to be more than adequate to repay the loan and administration costs, and that has been the experience to date.

5. Current Facts, Decisions, or Conditions Effect on Net Assets or Results of Operations.

There are no known current facts, decisions, or conditions that would result in a significant effect on net assets or results of operations.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses, and Changes in Fund Net Assets - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended March 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Current assets	\$ 1,064,154	\$ 1,064,190	\$ (36)
Restricted cash	17,674	37,850	(20,176)
Property and equipment	<u>10,205,170</u>	<u>10,196,637</u>	<u>8,533</u>
Total assets	<u>\$ 11,286,998</u>	<u>\$ 11,298,677</u>	<u>\$ (11,679)</u>
Current liabilities	\$ 337,029	\$ 459,466	\$ (122,437)
Noncurrent liabilities	<u>518,765</u>	<u>621,382</u>	<u>(102,617)</u>
Total liabilities	<u>855,794</u>	<u>1,080,848</u>	<u>(225,054)</u>
Net assets:			
Invested in capital assets	10,205,170	10,196,637	8,533
Unrestricted	<u>226,034</u>	<u>21,192</u>	<u>204,842</u>
Total net assets	<u>10,431,204</u>	<u>10,217,829</u>	<u>213,375</u>
Total liabilities and net assets	<u>\$ 11,286,998</u>	<u>\$ 11,298,677</u>	<u>\$ (11,679)</u>

Financial Analysis of the Housing Commission (continued)

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Housing Commission for the years ended March 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$1,216,260	\$1,180,073	\$ 36,187
Nondwelling rent	<u>12,188</u>	<u>10,491</u>	<u>1,697</u>
Total operating revenues	<u>1,228,448</u>	<u>1,190,564</u>	<u>37,884</u>
Operating expenses:			
Administration	790,360	893,962	(103,602)
Tenant services	84,873	54,241	30,632
Utilities	407,210	358,048	49,162
Ordinary maintenance and operation	858,014	898,927	(40,913)
General expenses	250,926	251,080	(154)
Interest expense	25,405	38,309	(12,904)
Extraordinary maintenance	29,880		29,880
Casualty losses	64,543		64,543
Housing assistance payments	2,120,929	2,098,574	22,355
Depreciation	<u>613,382</u>	<u>533,174</u>	<u>80,208</u>
Total operating expenses	<u>5,245,522</u>	<u>5,126,315</u>	<u>119,207</u>
Non-operating revenue:			
Interest income	6,753	7,121	(368)
Operating grants	3,389,485	3,258,050	131,435
Capital grants	783,940	345,191	438,749
Other income	<u>50,271</u>	<u>52,140</u>	<u>(1,869)</u>
Total nonoperating revenue	<u>4,230,449</u>	<u>3,662,502</u>	<u>567,947</u>
Change in Net Assets	<u>\$ 213,375</u>	<u>\$ (273,249)</u>	<u>\$ 486,624</u>

FINANCIAL STATEMENTS

JACKSON HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS
March 31, 2005
=====

ASSETS

Current Assets:	
Cash	\$ 591,729
Accounts receivable-HUD	383,467
Accounts receivable-tenants	69,923
Allowance for bad debts	(814)
Due from other programs	<u>19,849</u>
Total Current Assets	<u>1,064,154</u>
Restricted cash	<u>17,674</u>
Property, Plant, and Equipment:	
Buildings	20,453,219
Equipment	623,468
Building improvements	<u>954,844</u>
	22,031,531
Less: accumulated depreciation	<u>(11,826,361)</u>
Net Property, Plant, and Equipment	<u>10,205,170</u>
Total Assets	<u>\$ 11,286,998</u>

See notes to financial statements

JACKSON HOUSING COMMISSION
COMBINED STATEMENT OF NET ASSETS (CONTINUED)
March 31, 2005
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Bank overdraft	\$ 48,825
Accounts payable	64,509
Tenant security deposit liability	108,057
Accrued expenses	21,262
Other current liabilities	18,873
Accrued liabilities-other	1,075
Deferred revenues	15,122
Current portion of long-term debt	39,457
Due to other programs	<u>19,849</u>
Total Current Liabilities	<u>337,029</u>
Noncurrent Liabilities:	
Long-term debt, net of current	327,403
Accrued compensated absences	<u>191,362</u>
Total Noncurrent Liabilities	<u>518,765</u>
Total Liabilities	<u>855,794</u>
Net Assets:	
Invested in capital assets	10,205,170
Unrestricted net assets	<u>226,034</u>
Total Net Assets	<u>10,431,204</u>
Total Liabilities and Net Assets	<u>\$ 11,286,998</u>

See notes to financial statements

JACKSON HOUSING COMMISSION
**COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS**
 Year Ended March 31, 2005
 =====

OPERATING REVENUES:

Dwelling rent	\$ 1,216,260
Non-dwelling rent	<u>12,188</u>
 Total operating revenues	 <u>1,228,448</u>

OPERATING EXPENSES:

Administration	790,360
Tenant services	84,873
Utilities	407,210
Ordinary maintenance and operation	858,014
General expenses	250,926
Interest expense	25,405
Extraordinary maintenance	29,880
Casualty losses	64,543
Housing assistance payments	2,120,929
Depreciation	<u>613,382</u>
 Total operating expenses	 <u>5,245,522</u>

Operating income(loss)	<u>(4,017,074)</u>
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NONOPERATING REVENUES:

Investment interest income	6,753
Other income	50,271
Capital grants	783,940
Operating grants	<u>3,389,485</u>

Total nonoperating revenues	<u>4,230,449</u>
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Change in net assets	213,375
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Net assets, beginning	10,128,919
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Prior period adjustments, equity transfers and correction of errors	<u>88,910</u>
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Net assets, ending	<u>\$10,431,204</u>
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See notes to financial statements

JACKSON HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS
Year Ended March 31, 2005
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 1,207,178
Cash payments to other suppliers of goods and services	(3,278,239)
Cash payments to employees for services	(1,195,741)
Cash payments for in lieu of taxes	<u>(61,367)</u>
Net cash (used) by operating activities	<u>(3,328,169)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Adjustments	(148,335)
Tenant security deposits	13,519
FSS deposits	(41,114)
Operating grants	3,006,768
Other revenue	50,271
Payroll advance from the City of Jackson	<u>35,000</u>
Net cash provided by noncapital financing activities	<u>2,916,109</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Long-term debt principal payments	(62,357)
Capital grants	783,940
Payments for capital acquisitions	<u>(621,915)</u>
Net cash provided by and related financing activities	<u>99,668</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment reduction	69,492
Receipts of interest and dividends	<u>6,753</u>

Net cash provided by investing activities	<u>76,245</u>
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Net increase(decrease) in cash	(236,147)
Cash, beginning	<u>845,550</u>
Cash, ending	<u><u>\$ 609,403</u></u>

JACKSON HOUSING COMMISSION
COMBINED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2005
=====

Reconciliation of cash and cash equivalents
per statement of cash flows to the balance
sheet:

Cash	\$ 591,729
Restricted cash	<u>17,674</u>
Cash and cash equivalents per balance sheet	<u>\$ 609,403</u>

SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:

Operating income(loss)	\$(4,017,074)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	613,382
Bad debt allowance	352
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	(26,279)
Prepaid expenses	107,311
Increase (decrease) in liabilities:	
Bank overdraft	34,572
Accounts payable	5,055
Accrued compensated absences	(48,584)
Accrued payments in lieu of taxes	(1,913)
Deferred revenues	<u>5,009</u>
Net cash (used) by operating activities	<u>\$(3,328,169)</u>

See notes to financial statements

JACKSON HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2005
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Jackson Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

The Jackson Housing Commission is a component unit of the City of Jackson, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Jackson on February 26, 1946, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Jackson Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3005, the Housing Commission constructed, maintains and operates 553 units of subsidized housing in the City of Jackson, Michigan. The Housing Commission manages a Housing Choice Voucher program of subsidies for 475 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

The Housing Commission also has a Homeownership Program that is classified as the Resident Opportunity and Supportive Services Program.

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The

fund financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Fund Accounting

The accounts of the Housing Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, equity, revenues, and expenses. The Housing Commission's fund structure includes only proprietary funds. Under generally accepted accounting principles, proprietary funds are grouped into two broad categories - enterprise and internal service funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered through user charges; or (b) where laws or regulations require that the activity's costs of providing services including capital costs (such as depreciation or debt service) be recovered with fees and charges rather than with taxes and similar revenues. All of the Housing Commission's funds are operated as enterprise type proprietary funds whereby costs of services are to be recovered through user charges or subsidies from other governmental units.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the balance sheets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City of Jackson has elected to

apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$25 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Land improvements	15 - 20 years
Buildings	40 years
Building improvements	20 years
Nondwelling structures	10 years
Furniture, equipment and machinery	7 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-Fy 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services, excluding depreciation. Depreciation, amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- * Vacation time, beginning April 1 ,2001, employees may carry a maximum additional two weeks vacation time over their authorized allocation in any one fiscal year.
- * Sick pay is earned at a rate of one day per month and can accumulate up to a maximum of one hundred-eighty (180) days. Upon retirement only, employees will be paid an amount equal to 50% of compensation for unused sick leave.
- * Personal days are awarded to those employees who demonstrate excellent work attendance by awarding a "personal day" of leave for each quarter of perfect attendance. Personal days are not accumulative, and, therefore, must be taken during the quarter following the award.

The amount of accumulated benefits at March 31, 2005, was \$212,624, and is recorded as a liability in the applicable funds.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: CASH AND INVESTMENTS

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

HUD authorizes the Housing Commission to invest in certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

The Housing Commission's investments are categorized below to give an indication of the level of risk assumed by the entity at year end.

Category 1: Includes deposits that are insured, registered, or for which the collateral securities are held by the Housing Commission or its agent in the Housing Commission's name. This includes FDIC or equivalent insurance coverage.

Category 2: Includes deposits for which the collateral securities are held by the dealer's trust department or agent in the Housing Commission's name.

Category 3: Includes all uninsured and uncollateralized deposits.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Housing Commission's deposits may have been higher than the March 31, 2005, balances detailed below. This means that the Housing Commission's risk and exposure could have

been higher at these times. The Housing Commission had no significant type of deposits during the year not included below.

<u>Depository Balances by Category</u>					<u>Carrying Value</u>
<u>Depository</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	
Republic Bank	\$100,000	\$ 50,455	\$	\$150,455	\$150,455
Franklin Templeton Investments (U.S. Government Securities Fund)	13,077			13,077	13,077
Comerica Bank	18,873			18,873	18,873
Oppenheimer (money fund)	39,959			39,959	39,959
A.G. Edwards (GNMA and U.S. Government Series Bonds)	22,973			22,973	22,973
National City Bank	39,361			39,361	39,361
Citizens Bank	<u>147,138</u>	<u>\$178,553</u>		<u>325,691</u>	<u>322,105</u>
Total Deposits	<u>\$381,381</u>	<u>\$229,008</u>	<u>\$</u>	<u>\$610,389</u>	606,803
Petty cash, change and coin funds					<u>2,600</u>
					<u>\$609,403</u>
<u>Reconciliation to Cash on Balance Sheet</u>					
Cash-unrestricted					\$591,729
Cash-other restricted					17,674
Investments-unrestricted					
Total					<u>\$609,403</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At March 31, 2005, the receivables were \$69,923 with \$814 estimated as uncollectible. Bad debt expense was \$15,360.

Accounts Receivables - HUD

Amounts due from HUD represents funding due the Housing Commission for actual expenses for the programs financed. Balances at March 31, 2005 were as follows:

Housing Choice Voucher Program	<u>\$ 383,467</u>
--------------------------------	-------------------

Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ 19,849	Housing Choice Voucher Program	\$ 19,849
	<u>\$ 19,849</u>		<u>\$ 19,849</u>

The capital fund program transferred \$154,550 to the Low Rent Program during the fiscal year ended March 31, 2005.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Balance 03/31/04</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 03/31/05</u>
Low Rent Program				
Buildings	\$18,924,176	\$1,529,043	\$	\$20,453,219
Furniture, equip. & machinery - dwellings	276,121		2,463	273,658
Furniture, equip. & machinery - administration	<u>350,401</u>		<u>33,932</u>	<u>316,469</u>
	19,550,698	<u>\$1,529,043</u>	<u>\$ 36,395</u>	21,043,346
Less accumulated depreciation	<u>(11,216,033)</u>	<u>\$ (613,382)</u>	<u>\$ 36,395</u>	<u>(11,793,020)</u>
Total	<u>\$ 8,334,665</u>			<u>\$ 9,250,326</u>
 Capital Fund Program				
Building improvements	<u>\$ 1,861,972</u>	<u>\$ 621,915</u>	<u>\$ 1,529,043</u>	<u>\$ 954,844</u>

	<u>Balance</u> <u>03/31/04</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>03/31/05</u>
Housing Choice Voucher Program				
Furniture, equip. and machinery- administration	\$ 33,341	\$	\$	\$ 33,341
	33,341	\$	\$	33,341
Less accumulated depreciation	(33,341)	\$		(33,341)
Total	\$			\$
Combined Totals				<u>\$10,205,170</u>

NOTE 5: INVESTED IN CAPITAL ASSETS

Changes in invested in capital assets (formerly contributed capital) in the enterprise fund type for the year ended March 31, 2005, consist of the following:

	<u>Invested in</u> <u>Capital Assets</u>
Balance, beginning	\$10,196,637
Investment in fixed assets, net of depreciation paid for from operations net of depreciation, not included in contributed capital	<u>8,533</u>
Balance, ending	<u>\$10,205,170</u>

These reclassifications are investments in fixed assets, net of depreciation paid for from operations, not included in contributed capital.

NOTE 6: LONG-TERM DEBT

An installment purchase agreement was signed and dated September 20, 2000 by and between the City of Jackson(City) and the Jackson Housing Commission(JHA) with the Water & Energy Savings Corporation(WESC) of Lake Lure, North Carolina and the National City Bank(Bank) of Michigan/Illinois, Lansing, Michigan as the assignee.

The City agreed to purchase and WESC agreed to sell and provide the City and JHA certain water and energy conservation equipment to be installed in public housing facilities operated by JHA for the sum

of \$487,000. The purchase price is payable in quarterly payments of principal and interest on each December 1, March 1, June 1 and September 1, commencing December 1, 2000 and ending on September 1, 2011. The interest rate is at 6.4169% with the annual payments of principal and interest at approximately \$62,500 per year.

Debt principal requirements for the ensuing five-year period are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
3/31/06	\$ 22,925.76	\$ 39,456.76	\$ 62,382.52
3/31/07	20,296.75	42,050.24	62,346.99
3/31/08	17,494.95	44,814.20	62,309.15
3/31/09	14,508.98	47,759.84	62,268.82
3/31/10	11,326.75	50,899.08	62,225.83
Thereafter	12,984.05	141,879.60	154,863.65
	<u>\$ 99,537.24</u>	<u>\$366,859.72</u>	<u>\$ 466,396.96</u>

NOTE 7: OTHER INFORMATION

A. Pension Plan

Each eligible employee is covered under a defined benefit plan through the City of Plan Ordinance of the City of Jackson. The Plan funds are invested with local bank pension plan managers. The Housing Commission and each employee contributes 2.5% of the employee's annual compensation. The Housing Commission's portion of the pension cost was \$31,324 during the fiscal year ended March 31, 2005. Further details of funding the pension assets are contained in a separate report with the City of Jackson.

B. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks

that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Implementation of New Accounting Standard

As of and for the year ended March 31, 2005, the Housing Commission implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a government's major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

E. Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

To void checks from the prior year	\$ 1,399
Miscellaneous adjustment	2,471
Equity transfer-cfp 2000	712,040
Equity transfer-cfp 2001	817,003
To correct checking account	(19,011)
Adjust long-term debt payable to actual	<u>25,334</u>
	<u>\$ 1,539,236</u>

Capital Fund Program

Discretionary funds transfer	\$(162,025)
Equity transfer-2000 cfp to low rent	(712,040)
Equity transfer-2001 cfp to low rent	<u>(817,003)</u>
	<u>\$(1,691,068)</u>

Housing Choice Voucher Program

HUD eliminated accounts payable in prior year	\$ 237,245
To write off outstanding checks	<u>3,497</u>
	<u>\$ 240,742</u>

NOTE 8: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes four separate programs which provide housing assistance and grant programs. Segment information for the year ended March 31, 2005, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>	<u>Resident Opportunity and Supportive Services</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Dwelling and nondwelling rents	\$ 1,228,448	\$	\$	\$
Depreciation	(613,382)			
Other operating expenses	<u>(2,263,572)</u>		<u>2,363,468</u>	<u>(5,100)</u>
Operating (loss)	(1,648,506)		(2,363,468)	(5,100)
Nonoperating revenues:				
Investment earnings	1,639		5,114	
Other income	50,271			
Operating grants	851,656	154,550	2,378,179	5,100
Capital grants		783,940		
Operating transfers	<u>154,550</u>	<u>(154,550)</u>		
Change in net assets	(590,390)	783,940	19,825	
Beginning net assets	7,841,791	1,861,972	425,156	
Prior period adjustments	<u>1,539,236</u>	<u>(1,691,068)</u>	<u>240,742</u>	
Ending net assets	<u>\$ 8,790,637</u>	<u>\$ 954,844</u>	<u>\$ 685,723</u>	<u>\$</u>

**Condensed Statement
of Cash Flows**

Net cash provided
(used) by:

Operating activities	\$ (959,601)	\$	\$ (2,363,468)	\$ (5,100)
Noncapital financing activities	1,074,369	(162,025)	1,998,665	5,100
Capital and related financing activities	(62,357)	162,025		
Investing activities	<u>71,131</u>		<u>5,114</u>	
Net increase (decrease)	123,542		(359,689)	
Beginning cash and cash equivalents	<u>146,082</u>		<u>699,468</u>	
Ending cash and cash equivalents	<u>\$ 269,624</u>	<u>\$</u>	<u>\$ 339,779</u>	<u>\$</u>

SUPPLEMENTARY INFORMATION

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
 March 31, 2005

=====

C-3005	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

ASSETS

Current assets:		
Cash	\$ 269,624	\$
Accounts receivable-HUD		
Accounts receivable-tenants	69,923	
Allowance for doubtful accounts	(814)	
Due from other programs	<u>19,849</u>	
Total current assets	<u>358,582</u>	
Restricted cash		
Property, plant, and equipment:		
Buildings	20,453,219	
Equipment	590,127	
Building improvements	<u>21,043,346</u>	<u>954,844</u>
Less accumulated depreciation	<u>(11,793,020)</u>	<u>954,844</u>
Net property, plant and equipment	<u>9,250,326</u>	<u>954,844</u>
Total Assets	<u>\$ 9,608,908</u>	<u>\$ 954,844</u>

Housing Choice Vouchers <u>14.871</u>	Resident Opportunity and Supportive Services <u>14.870</u>	<u>Totals</u>
\$ 322,105	\$	\$ 591,729
383,467		383,467
		69,923
		(814)
		<u>19,849</u>
<u>705,572</u>		<u>1,064,154</u>
<u>17,674</u>		<u>17,674</u>
		20,453,219
33,341		623,468
		<u>954,844</u>
33,341		22,031,531
(33,341)		<u>(11,826,361)</u>
		<u>10,205,170</u>
<u>\$ 723,246</u>	<u>\$</u>	<u>\$ 11,286,998</u>

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
 March 31, 2005

=====

	C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Bank overdraft	\$ 48,825	\$
Accounts payable	64,509	
Tenant security deposit liability	108,057	
Accrued expenses	21,262	
Other current liabilities	1,199	
Accrued liabilities-other	1,075	
Deferred revenues	15,122	
Current portion of long-term debt	39,457	
Due to other programs	<u> </u>	<u> </u>
Total current liabilities	<u>299,506</u>	<u> </u>
Noncurrent liabilities:		
Long-term debt, net of current	327,403	
Accrued compensated absences	<u>191,362</u>	<u> </u>
Total noncurrent liabilities	<u>518,765</u>	<u> </u>
Total liabilities	<u>818,271</u>	<u> </u>
Net Assets:		
Invested in capital assets	9,250,326	954,844
Unrestricted net assets	<u>(459,689)</u>	<u> </u>
Total net assets	<u>8,790,637</u>	<u>954,844</u>
Total Liabilities and Net Assets	<u>\$9,608,908</u>	<u>\$ 954,844</u>

Housing Choice Vouchers <u>14.871</u>	Resident Opportunity and Supportive Services <u>14.870</u>	<u>Totals</u>
\$	\$	\$ 48,825
		64,509
		108,057
		21,262
17,674		18,873
		1,075
		15,122
		39,457
<u>19,849</u>	<u> </u>	<u>19,849</u>
<u>37,523</u>	<u> </u>	<u>337,029</u>
		327,403
		<u>191,362</u>
		<u>518,765</u>
<u>37,523</u>	<u> </u>	<u>855,794</u>
		10,205,170
<u>685,723</u>	<u> </u>	<u>226,034</u>
<u>685,723</u>	<u> </u>	<u>10,431,204</u>
<u>\$ 723,246</u>	<u>\$ </u>	<u>\$ 11,286,998</u>

JACKSON HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS**
 Year Ended March 31, 2005
 =====

	C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 1,216,260	\$
Nondwelling rent	<u>12,188</u>	<u></u>
Total operating revenues	<u>1,228,448</u>	<u></u>
OPERATING EXPENSES:		
Administration	547,821	
Tenant services	79,773	
Utilities	407,210	
Ordinary maintenance and operation	858,014	
General expenses	250,926	
Interest expense	25,405	
Extraordinary maintenance	29,880	
Casualty losses	64,543	
Housing assistance payments		
Depreciation	<u>613,382</u>	<u></u>
Total operating expenses	<u>2,876,954</u>	<u></u>
Operating income(loss)	<u>(1,648,506)</u>	<u></u>
NONOPERATING REVENUES:		
Operating transfers in (out)	154,550	(154,550)
Investment interest income	1,639	
Other income	50,271	
Capital grants		783,940
Operating grants	<u>851,656</u>	<u>154,550</u>
Total nonoperating revenues	<u>1,058,116</u>	<u>783,940</u>
Change in net assets	(590,390)	783,940
Net assets, beginning	7,841,791	1,861,972
Prior period adjustments, equity transfers and correction of errors	<u>1,539,236</u>	<u>(1,691,068)</u>
Net assets, ending	<u>\$ 8,790,637</u>	<u>\$ 954,844</u>

Housing Choice Vouchers <u>14.871</u>	Resident Opportunity and Supportive Services <u>14.870</u>	<u>Totals</u>
\$	\$	\$ 1,216,260
		<u>12,188</u>
		<u>1,228,448</u>
242,539	5,100	790,360
		84,873
		407,210
		858,014
		250,926
		25,405
		29,880
		64,543
2,120,929		2,120,929
		<u>613,382</u>
<u>2,363,468</u>	<u>5,100</u>	<u>5,245,522</u>
<u>(2,363,468)</u>	<u>(5,100)</u>	<u>(4,017,074)</u>
5,114		6,753
		50,271
		783,940
<u>2,378,179</u>	<u>5,100</u>	<u>3,389,485</u>
<u>2,383,293</u>	<u>5,100</u>	<u>4,230,449</u>
19,825		213,375
425,156		10,128,919
<u>240,742</u>		<u>88,910</u>
<u>\$ 685,723</u>	<u>\$</u>	<u>\$10,431,204</u>

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
Year Ended March 31, 2005
=====

	C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$1,207,178	\$
Cash payments to other suppliers of goods and services	(1,110,090)	
Cash payments to employees for services	(995,322)	
Cash payments for in lieu of taxes	<u>(61,367)</u>	
Net cash (used) by operating activities	<u>(959,601)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Adjustments	10,193	(162,025)
Tenant security deposits	13,519	
FSS deposits	(21,721)	
Due from/to other funds	(19,099)	
Operating transfers in (out)	154,550	(154,550)
Operating grants	851,656	154,550
Other revenue	50,271	
Payroll advance to the City of Jackson	<u>35,000</u>	
Net cash provided(used) by noncapital financing activities	<u>1,074,369</u>	<u>(162,025)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Long-term debt principal payments	(62,357)	
Capital grants		783,940
Payments for capital acquisitions		<u>(621,915)</u>
Net cash provided(used) by capital and related financing activities	<u>(62,357)</u>	<u>162,025</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment reduction	69,492	
Receipts of interest and dividends	<u>1,639</u>	
Net cash provided by investing activities	<u>71,131</u>	
Net increase(decrease) in cash	123,542	
Cash, beginning	<u>146,082</u>	
Cash, ending	<u>\$ 269,624</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Resident Opportunity and Supportive Services 14.870	Totals
\$	\$	\$ 1,207,178
(2,163,049)	(5,100)	(3,278,239)
(200,419)		(1,195,741)
		(61,367)
<u>(2,363,468)</u>	<u>(5,100)</u>	<u>(3,328,169)</u>
3,497		(148,335)
(19,393)		13,519
19,849	(750)	(41,114)
1,994,712	5,850	3,006,768
		50,271
		<u>35,000</u>
<u>1,998,665</u>	<u>5,100</u>	<u>2,916,109</u>
		(62,357)
		783,940
		<u>(621,915)</u>
		<u>99,668</u>
		69,492
<u>5,114</u>		<u>6,753</u>
<u>5,114</u>		<u>76,245</u>
(359,689)		(236,147)
<u>699,468</u>		<u>845,550</u>
<u>\$ 339,779</u>	<u>\$</u>	<u>\$ 609,403</u>

JACKSON HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended March 31, 2005
=====

C-3005	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH
EQUIVALENTS PER STATEMENT OF CASH
FLOWS TO THE BALANCE SHEET:**

Cash	\$ 269,624	\$
Restricted cash	<u> </u>	<u> </u>
Cash and cash equivalents per balance sheet	<u>\$ 269,624</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME
TO NET CASH FLOW FROM OPERATING
ACTIVITIES:**

Operating income(loss)	\$ (1,648,506)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	613,382	
Bad debt allowance	352	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(26,279)	
Prepaid expenses	107,311	
Increase (decrease) in liabilities:		
Bank overdraft	34,572	
Accounts payable	5,055	
Accrued compensated absences	(48,584)	
Accrued payments in lieu of taxes	(1,913)	
Deferred revenues	<u>5,009</u>	<u> </u>
Net cash (used) by operating activities	<u>\$ (959,601)</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	Resident Opportunity and Supportive Services <u>14.870</u>	<u>Totals</u>
\$ 322,105 <u>17,674</u>	\$ <u> </u>	\$ 591,729 <u>17,674</u>
<u>\$ 339,779</u>	<u>\$ <u> </u></u>	<u>\$ 609,403</u>
 \$(2,363,468)	 \$(5,100)	 \$(4,017,074)
		613,382 352
		(26,279) 107,311
		34,572 5,055 (48,584)
		(1,913) <u>5,009</u>
 <u>\$(2,363,468)</u>	 <u>\$(5,100)</u>	 <u>\$(3,328,169)</u>

JACKSON HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended March 31, 2005

=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal</u> <u>Year</u>	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2005	Low Rent Public Housing	14.850	\$ 851,656
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2005	Capital Fund Program	14.872	938,491
	<u>Low Income Public Housing</u> <u>Major - Direct Program</u>		
2005	Housing Choice Vouchers	14.871	2,378,179
	<u>Low Income Public Housing</u> <u>Nonmajor - Direct Program</u>		
2005	Resident Opportunity and Supportive Services	14.870	<u>5,100</u>
	Total		<u>\$4,173,426</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

JACKSON HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended March 31, 2005

=====

FDS Line Item No.		C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 269,624	\$
113	Cash-other restricted	<u> </u>	<u> </u>
100	Total cash	<u>269,624</u>	<u> </u>
	Receivables:		
122	A/R-HUD other projects		
126	A/R-tenants-dwelling rents	69,923	
126.1	Allowance for doubtful accounts	<u>(814)</u>	<u> </u>
120	Total receivables, net of allowance for doubtful accounts	<u>69,109</u>	<u> </u>
	Other Current Assets:		
144	Interprogram due from	<u>19,849</u>	<u> </u>
150	Total current assets	<u>358,582</u>	<u> </u>
	Noncurrent Assets:		
	Fixed Assets:		
162	Buildings	20,453,219	
163	Furn, equip & mach-dwellings	273,658	
164	Furn, equip & mach-admin.	316,469	
165	Building improvements		954,844
166	Accumulated depreciation	<u>(11,793,020)</u>	<u> </u>
160	Total fixed assets, net of accumulated depreciation	<u>9,250,326</u>	<u>954,844</u>
180	Total noncurrent assets	<u>9,250,326</u>	<u>954,844</u>
190	Total Assets	<u>\$ 9,608,908</u>	<u>\$954,844</u>

Housing Choice Vouchers 14.871	Resident Opportunity and Supportive Services 14.870	Totals
\$ 322,105	\$	\$ 591,729
<u>17,674</u>		<u>17,674</u>
<u>339,779</u>		<u>609,403</u>
383,467		383,467
		69,923
		(814)
<u>383,467</u>		<u>452,576</u>
		<u>19,849</u>
<u>723,246</u>		<u>1,081,828</u>
		20,453,219
		273,658
33,341		349,810
		954,844
(33,341)		(11,826,361)
		<u>10,205,170</u>
		<u>10,205,170</u>
<u>\$ 723,246</u>	<u>\$</u>	<u>\$ 11,286,998</u>

JACKSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2005
 =====

FDS Line Item No.		C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
311	Bank overdraft	\$ 48,825	\$
312	Accounts payable<=90 days	5,055	
322	Accrued compensated absences	21,262	
333	Accounts payable-other government	59,454	
341	Tenant security deposits	108,057	
342	Deferred revenues	15,122	
343	Current portion of long-term debt	39,457	
345	Other current liabilities	1,199	
346	Accrued liabilities-other	1,075	
347	Interprogram due to	<u> </u>	<u> </u>
310	Total current liabilities	<u>299,506</u>	<u> </u>
	Noncurrent Liabilities:		
351	Long-term debt, net of current	327,403	
354	Accrued compensated absences	<u>191,362</u>	<u> </u>
350	Total noncurrent liabilities	<u>518,765</u>	<u> </u>
300	Total liabilities	<u>818,271</u>	<u> </u>
	Net Assets:		
508.1	Invested in capital assets	<u>9,250,326</u>	<u>954,844</u>
508	Total invested in capital assets	9,250,326	954,844
512.1	Unrestricted net assets	<u>(459,689)</u>	<u> </u>
513	Total Net Assets	<u>8,790,637</u>	<u>954,844</u>
600	Total Liabilities and Net Assets	<u>\$ 9,608,908</u>	<u>\$954,844</u>

Housing Choice Vouchers <u>14.871</u>	Resident Opportunity and Supportive Services <u>14.870</u>	<u>Total</u>
\$	\$	\$ 48,825
		5,055
		21,262
		59,454
		108,057
		15,122
		39,457
17,674		18,873
		1,075
<u>19,849</u>		<u>19,849</u>
<u>37,523</u>		<u>337,029</u>
		327,403
		<u>191,362</u>
		518,765
<u>37,523</u>		<u>855,794</u>
		<u>10,205,170</u>
		10,205,170
<u>685,723</u>		<u>226,034</u>
<u>685,723</u>		<u>10,431,204</u>
<u>\$ 723,246</u>	<u>\$</u>	<u>\$ 11,286,998</u>

JACKSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended March 31, 2005

FDS Line Item No.		C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$1,216,260	\$
704	Tenant revenue-other	<u>12,188</u>	<u> </u>
705	Total tenant revenue	1,228,448	
706	HUD PHA grants	851,656	154,550
706.1	Capital grants		783,940
711	Investment income-unrestricted	1,639	
715	Other revenue	<u>50,271</u>	<u> </u>
700	Total revenue	<u>2,132,014</u>	<u>938,490</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	303,131	
912	Auditing fees	4,500	
914	Compensated absences	(48,584)	
915	Employee benefit contributions	118,233	
916	Other operating-administrative	170,541	
	Tenant Services:		
921	Tenant services-salaries	43,079	
923	Employee benefit contributions	16,779	
924	Tenant services-other	19,915	
	Utilities:		
931	Water	104,927	
932	Electricity	148,829	
933	Gas	153,454	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	369,799	
942	Ordinary maint & oper-mat'ls & other	99,836	
943	Ordinary maint & oper-contract costs	233,712	
945	Employee benefit contributions	144,301	
953	Protective services-other	10,366	
	General expenses:		
961	Insurance premiums	105,724	
962	Other general expenses	48,109	
963	Payments in lieu of taxes	59,454	
964	Bad debt - tenant rents	15,360	
967	Interest expense	25,405	
968	Severance expense	<u>22,279</u>	<u> </u>
969	Total operating expenses	<u>2,169,149</u>	<u> </u>

Housing Choice Vouchers 14.871	Resident Opportunity and Supportive Services 14.870	Total
\$	\$	\$ 1,216,260
		12,188
		1,228,448
2,378,179	5,100	3,389,485
		783,940
5,114		6,753
		50,271
<u>2,383,293</u>	<u>5,100</u>	<u>5,458,897</u>
157,644		460,775
		4,500
		(48,584)
42,120		160,353
42,775		213,316
		43,079
		16,779
	5,100	25,015
		104,927
		148,829
		153,454
		369,799
		99,836
		233,712
		144,301
		10,366
		105,724
		48,109
		59,454
		15,360
		25,405
		22,279
<u>242,539</u>	<u>5,100</u>	<u>2,416,788</u>

JACKSON HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended March 31, 2005
=====

FDS Line Item No.		C-3005 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
970	Excess operating revenue over operating expenses	(37,135)	<u>938,490</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	29,880	
972	Casualty losses-noncapitalized	64,543	
973	Housing assistance payments		
974	Depreciation expense	<u>613,382</u>	
	Total other expenses	<u>707,805</u>	
900	Total expenses	<u>2,876,954</u>	
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(744,940)	938,490
	Other Financing Sources(Uses):		
1001	Operating transfers in (out)	<u>154,550</u>	(154,550)
1000	Excess (deficiency) of operating revenue over(under) expenses	(590,390)	783,940
1103	Beginning Net Assets	7,841,791	1,861,972
1104	Prior period adjustments, equity transfers and correction of errors	<u>1,539,236</u>	<u>(1,691,068)</u>
	Ending Net Assets	<u>\$ 8,790,637</u>	<u>\$ 954,844</u>

Housing Choice Vouchers 14.871	Resident Opportunity and Supportive Services 14.870	Totals
<u>2,140,754</u>	<u> </u>	<u>3,042,109</u>
		29,880
		64,543
<u>2,120,929</u>	<u> </u>	<u>2,120,929</u>
		613,382
<u>2,120,929</u>	<u> </u>	<u>2,828,734</u>
<u>2,363,468</u>	<u>5,100</u>	<u>5,245,522</u>
19,825		213,375
<u> </u>	<u> </u>	<u> </u>
19,825		213,375
425,156		10,128,919
<u>240,742</u>	<u> </u>	<u>88,910</u>
<u>\$ 685,723</u>	<u>\$</u>	<u>\$ 10,431,204</u>

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Jackson Housing Commission
Jackson, Michigan

I have audited the financial statements of the business-type activities of the Jackson Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2005, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated August 31, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Jackson Housing Commission
Page Two

Compliance and Other Matters (continued)

compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated August 31, 2005.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary E. Vandell, CPA, PC

August 31, 2005

Barry E. Gaudette, CPA, P.C.

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**Report on Compliance with Requirements
Applicable To Each Major Program and
Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Housing Commissioners
Jackson Housing Commission
Jackson, Michigan

Compliance

I have audited the compliance of the Jackson Housing Commission , Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2005. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements
Applicable to Each Major Program and
Internal Control Over Compliance in
Accordance with OMB Circular A-133
Jackson Housing Commission
Page Two

Compliance (continued)

In my opinion, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005.

Internal Control Over Compliance

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that I have reported to management of the Housing Commission in a separate letter dated August 31, 2005.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary S. Sandtke, CPA, PC

August 31, 2005

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
March 31, 2005
=====

A. Summary of Audit Results

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified No
 - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: No

Federal Awards

1. Internal control over major programs:
 - a. Material weakness identified No
 - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No
4. Identification of major programs:

CFDA Number	Federal Program	Amount Expended	Major Program	Compliance Requirement	Questioned Costs	Audit Finding
14.850	Low Rent Public Housing	\$ 851,656	No	O	N/A	N/A
14.872	Capital Fund Program	938,491	No	O	N/A	N/A
14.871	Housing Choice Vouchers	2,378,179	Yes	O	N/A	N/A
14.870	Resident Opportunity and Supportive Services	<u>5,100</u>	No	O	N/A	N/A
	Total	<u>\$4,173,426</u>				

5. Dollar threshold used to distinguish between type A and type B programs \$300,000
6. Auditee qualified as low-risk auditee? Yes

JACKSON HOUSING COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
March 31, 2005
=====

B.	Financial Statement Findings	None
C.	Federal Award Findings and Questioned Costs	None

JACKSON HOUSING COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
March 31, 2005

=====

NONE

JACKSON HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
MARCH 31, 2005
=====

Account Number	Account Name	Debit	Credit
----------------	--------------	-------	--------

LOW RENT PROGRAM:

(1)

6010	Prior period adjustment	\$19,010.61	
1111	Cash-checking		\$19,010.61
	To adjust checking to actual.		

(2)

2313	Note payable	25,334.21	
6010	Prior period adjustment		25,334.21
	To adjust to note amortization schedule.		

(3)

1111	Cash-checking	48,825.18	
	Bank overdraft		48,825.18
	To reclassify outstanding checks to a liability.		

HOUSING CHOICE VOUCHER PROGRAM:

(1)

1111	Cash-checking	\$ 3,497.50	
	Bank overdraft		\$ 3,497.50
	To correct the amount of outstanding checks.		

JACKSON HOUSING COMMISSION
INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

MARCH 31, 2005

JACKSON HOUSING COMMISSION
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MARCH 31, 2005

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Jackson Housing Commission

I have audited the financial statements of the Jackson Housing Commission ("Housing Commission") as of and for the year ended March 31, 2005, and have issued my report, thereon, dated August 31, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were four material audit adjusting journal entry, but no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see adjusting entries on page 5).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There were no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Barry E. Sandlett, CPA

August 31, 2005

Barry E. Gaudette, CPA, P.C.

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**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Jackson Housing Commission

I have audited the financial statements of the Jackson Housing Commission ("Housing Commission") as of and for the year ended March 31, 2005, and have issued my report, thereon, dated August 31, 2005. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

August 31, 2005

JACKSON HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS

March 31, 2005

=====

Closing Bank Accounts

The Housing Commission during the prior fiscal year closed a couple bank accounts, but there is not any indication in the minutes that the board approved the closings.

I recommend that the Housing Commission Board approve a resolution or at least approve a motion indicating the approval of any bank account closings. There was a resolution during the fiscal year to open a new bank account.

JACKSON HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
March 31, 2005
=====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			
	(1)		
6010	Prior period adjustment	\$ 19,010.61	
1111	Cash-checking		\$ 19,010.61
	To adjust checking to actual.		
	(2)		
2313	Note payable	25,334.21	
6010	Prior period adjustment		25,334.21
	To adjust to note amortization schedule.		
	(3)		
1111	Cash-checking	48,825.18	
	Bank overdraft		48,825.18
	To reclassify outstanding checks to a liability.		
HOUSING CHOICE VOUCHER PROGRAM			
	(1)		
1111	Cash-checking	\$ 3,497.50	
	Bank overdraft		\$ 3,497.50
	To correct the amount of outstanding checks.		